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Approved By:

David Leishman

Prepared By:

A. Govindan, Deepa Dhankhar, Amit Aradhey

Report Highlights:

Food Inflation could rise on fuel price hike, *Fifty percent Indians living below poverty line: Government Panel*, *Variable trade can ensure food security: Plan Panel*, *Government subsidy led to misuse of fertilizers*, *Dairy majors strategize for better reach*, *Poultry scheme gets a government NOD for USD 30 million*, *Doing business is tough in India*, *Edible oil industry cautions government on rising imports*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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FOOD INFLATION COULD RISE ON FUEL PRICE HIKE

Food inflation, which has already risen since mid-May, could further increase because of the latest hike in prices of petroleum products. The Government of India increased the price of petrol by Rs. 4 per liter and diesel by Rs. 2 per liter (about 10 percent) to offset some of the losses being incurred by oil marketing companies because of the recent rally in global crude oil prices. "Food inflation is already on the rise, and now this hike in prices of the petroleum products could further push it up in coming weeks," a Mumbai-based commodity analyst said. (Source: Financial Express, 07/02/09)

FIFTY PERCENT INDIANS LIVING BELOW POVERTY LINE: GOVERNMENT PANEL

In what could provide a boost to the present government's *aam aadmi* (common man) agenda, but also present significant fiscal challenge, a government panel has recommended that 50 percent of India's population be given below-poverty line ration cards. The recommendations of the Rural Development Ministry's committee on Below Poverty Line (BPL) surveys, chaired by Supreme Court-appointed Food Commissioner N.C. Saxena, seek to double the population that benefits from the government's social sector programs – both existing as well as those on the anvil such as the ambitious Food Security Act. The expansion of social security net is bound to substantially increase government expenditure. At present, the Planning Commission estimates that only 28.3 percent of the population qualifies for BPL benefits. (Source: Times of India, 07/01/09)

VARIABLE TRADE CAN ENSURE FOOD SECURITY: PLAN PANEL

Amid the debate on a proposed legislation on food security, the Planning Commission has suggested the adoption of a variable trade policy wherein import and export tariffs could be imposed to ensure adequate food stocks to meet any exigency. "I believe that there is a need for adopting a variable trade policy, which would be part of the domestic price/stocks situation in the event of imports shooting up or dipping down. In fact, import tariff could be imposed if world food prices dip or export tariff could be levied if prices surge," Planning Commission member Abhijit Sen said. (Indian Express, 07/01/09)

GOVERNMENT SUBSIDY LED TO MISUSE OF FERTILIZERS

Driven by the huge government subsidy, indiscriminate use of chemical fertilizers and pesticides by farmers since 1960 have degraded the natural resource base of agricultural land

in India, a scientific report by Greenpeace said. The report titled 'Subsidizing Food Crisis' jointly prepared by scientists from Greenpeace and Institute of Agriculture, Visva Bharathy University, West Bengal, says farmers are using higher doses of nitrogen to replace other nutrients, as synthetic nitrogen is cheaper due to government subsidies. According to the report, the amount of government subsidy on chemical fertilizers during the last three decades has grown from Rs. 600 million (\$12.5 million) in 1976-77 to Rs. 403.4 billion (\$8.4 billion) in 2007-08. "Moving away from current government subsidies on synthetic fertilizers that lead to poor soils and less food production and investing in ecological farming will have triple benefits: save public money, ensure food security, and reduce greenhouse emissions," the report, which offers scientific analysis linking the increasing fertilizer subsidies to yield stagnation in agriculture, said. (Financial Express, 07/02/09)

DAIRY MAJORS STRATEGIZE FOR BETTER REACH

India's biggest dairy companies, including the Gujarat Cooperative Milk and Marketing Federation (GCMMF) and the National Dairy Development Board (NDDB), are planning to tap the growing dairy market by introducing more products. The dairy companies are also laying focus on strong distribution and supply chain strategies. Over the past four years, milk consumption in the country has recorded a growth rate of 2.7 percent with packed milk growing at a rate of 4.7 percent. The GCMMF has decided to focus more on the retail expansion and plans to add 6,000 retail parlors across the country in the current fiscal year. The company also plans to increase productivity of milch cattle and develop higher processing infrastructure to handle peak milk procurement of 19.5 million liters per day. (Source: The Business Standard, 06/28/09)

POULTRY SCHEME GETS A GOVERNMENT NOD FOR USD 30 MILLION

The government has approved Rs.1.5 billion (\$30 million) poultry development program to help rural farmers gain supplementary income. The decision was taken during the Cabinet Committee of Economic Affairs (CCEA) meeting to approve the centrally sponsored scheme with the new components, rural backyard poultry development and poultry estates. The program would be implemented during the 11th five-year plan starting from 2009/10. The Home Minister said during the CCEA meeting that the rural backyard poultry development component is expected to cover the beneficiaries from the below poverty line to enable them to gain supplementary income and nutritional support. (Source: The Hindu, 07/02/09)

DOING BUSINESS IS TOUGH IN INDIA

According to the World Bank-International Finance Corporation (IFC) and the Confederation of Indian Industry, India ranks of 122 out of a 180 nation survey on doing business

internationally. In the first of a series of national reports, 'Doing Business in India,' found wide disparity in business practices across the major Indian cities. In India, where more than 90 percent jobs are in the informal sector, regulatory reforms can help businesses operate efficiently in the formal sector. The 17 Indian cities studied by the report show that even the most progressive cities are behind global standards. Some of the recommendations by the report to make the business process smooth in India are - creating single access points for all tax registrations and social security requirements, making on-line start-ups fully functional, and creating a one-stop shop for all pre and post-registration requirements. According to the World Bank-IFC report, India's ranking could rise, even surpass regional leader China, if it implements the report's recommendations.

(Source: The Financial Express, 07/01/09)

EDIBLE OIL INDUSTRY CAUTIONS GOVERNMENT ON RISING IMPORTS

Alarmed at rising edible oil imports, the industry warned that the country may have to import about 15 million tons of vegetable oils per year in next 5 to 7 years, if the government does not addresses problems faced by this industry. According to Central Organization for Oil Industry and Trade (COOIT), such high imports would make the country heavily dependant on exporting countries, which could dictate their own terms and prices in near future. The trade body has sought re-imposition of 30 percent custom duty on all crude edible oil and 40 percent duty on refined oils. The body further sought revision of tariff values which has remained unchanged for last three years and appealed to revive Technology Mission on Oilseeds with funds from import duties on edible oils. (Source: Financial Express, 06/27/2009)

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IN9087	FAIRS: GOI Amends PFA Rules Relating to Carbonated Water	06/30/09
IN9088	FAIRS: Amendment to the PFA Rules Regarding Standards for Carbonated Water and Dehydrated Vegetables	06/30/09
IN9089	FAIRS: Amendment to the PFA Rules Relating to Infant Food and Standards for Food Additives in Processed Foods	06/30/09

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